

Division of Securities  
Utah Department of Commerce  
160 East 300 South  
P.O. Box 146760  
Salt Lake City, Utah 84114-6760  
Telephone: 801 530-6600  
Facsimile: 801 530-6980

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**BEFORE THE DIVISION OF SECURITIES  
OF THE DEPARTMENT OF COMMERCE  
OF THE STATE OF UTAH**

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**IN THE MATTER OF:**

**BRYAN L. PENDLETON  
CRD #4228593;**

**Respondent.**

**STIPULATION AND CONSENT  
ORDER**

**Docket No SD-05-0044**

The Utah Division of Securities ("Division"), by and through its Director of Licensing, George Robison, and Bryan L. Pendleton ("Pendleton") hereby stipulate and agree as follows:

1. Pendleton is the subject of an investigation conducted by the Division into allegations that Pendleton violated the Utah Uniform Securities Act ("Act"), Utah Code Ann. § 61-1-1, *et seq.*
2. On August 10, 2005, the Division filed a Petition for Order Revoking License and/or Barring Licensee against Pendleton.
3. In lieu of proceeding with the formal action, Pendleton and the Division have agreed to settle this matter by way of this Stipulation and Consent Order ("Order"). If entered, the Order will fully resolve all claims the Division has against Pendleton pertaining to this matter.

4. Pendleton admits the jurisdiction of the Division over him and over the subject matter of this action.
5. Pendleton waives any right to a hearing to challenge the Division's evidence and present evidence on his behalf.
6. Pendleton has read the Order, understands its contents and enters into this Order voluntarily. No promises or threats have been made by the Division, nor by any representative of the Division, to induce Pendleton to enter into this Order, other than as described in this Order.
7. Pendleton has been advised of his right to be represented by counsel and has chosen to represent himself.

### **I. FINDINGS OF FACT**

The Division makes the following findings:

#### **Background**

8. Pendleton is not currently licensed as a broker-dealer agent in Utah but was associated with World Group Securities, Inc. ("WGS") from April 12, 2002 through August 9, 2004.
9. Prior to becoming associated with WGS, Pendleton was employed by WMA Securities, Inc. ("WMA"), WGS's predecessor, from July 5, 2000 to April 12, 2002.
10. Pendleton's Utah broker-dealer agent license was terminated by WGS on August 9, 2004 because Pendleton failed to comply with WGS continuing education requirements.
11. On March 4, 2005, NASD barred Pendleton from associating with any member of NASD in any capacity for converting customer funds to his own use.

## **Conversion**

12. On December 24, 2002, Pendleton received a check in the amount of \$6,901.60 from R. B. which was to be deposited into R. B.'s Western Reserve Life ("WRL") Freedom Premier annuity through WGS. Instead, Pendleton deposited this check into his own business bank account.
13. On July 2, 2003, Pendleton received a check in the amount of \$5,275.71 from G. H. which was to be deposited into G. H.'s American Skandia XTra Credit SIX annuity. Instead, Pendleton deposited this check into his own business bank account.
14. In January 2004, Pendleton received a check in the amount of \$8,652.09 from R. S. which was to be deposited into R. S.'s WRL Freedom Elite Builder variable universal life contract. Instead, Pendleton deposited this check into his own business bank account.
15. On May 7, 2004, Pendleton admitted to WGS that he had converted the funds of his clients R. B., G. H. and R. S. to his own use.
16. On August 20, 2004, Pendleton also admitted his conversion of client funds to the NASD.
17. On July 16, 2004, WGS issued three checks totaling \$20,829.40: two made payable to WRL and one made payable to American Skandia.
18. According to WGS, these were checks "to the product providers reimbursing the accounts of R. S., R. B. and G. H., retroactive to the date the original transaction should have occurred."
19. Pendleton reimbursed WGS for the restitution WGS paid to R. B., G. H., and R. S..
20. On July 14, 2004, Pendleton told WGS: "The enclosed check for \$22,911.75 represents my desire for restitution on the accounts under current investigation along with my

deepest regrets and apology. I have included an additional ten percent to, hopefully, cover/reimburse what the clients didn't gain while the money was not in their accounts. If this amount is not found to be adequate by your calculations, please let me know."

### **Borrowing from Clients**

21. On November 21, 2003, Pendleton signed a promissory note to borrow \$15,000 from A. Z. At the time, A. Z. was one of Pendleton's WGS clients.
22. Pendleton also borrowed \$20,000 from J. F. who was one of his WGS clients at the time he borrowed the money.
23. On May 7, 2004, Pendleton acknowledged to WGS borrowing the above moneys from A. Z. and J. F., and further admitted borrowing money from two WGS agents. The letter indicated he was making monthly payments to J. F., but had not repaid A. Z., or the other two WGS agents.
24. On August 20, 2004, Pendleton told the NASD: "As far as the personal loans. No contracts were signed and the arraignment [sic] was to reimburse as soon as possible with interest, based on the length of time it took to get fully paid back. These transactions where [sic] conducted as friend helping friend. To date the money has not been totally repaid. J. F. and A. Z. loaned me money..."

### **Unregistered Security**

25. Pendleton issued one written promissory note to A. Z.. Pendleton also entered into three other oral promissory transactions: one with A. Moleff for approximately \$3,500 plus interest; one with L. Newell for approximately \$12,500 plus interest; and one with J. F. for approximately \$20,000 plus interest. Moleff and Newell were WGS agents working

with Pendleton when Pendleton borrowed the money from them.

26. Pendleton never registered or filed a claim of exemption with the Division for any of the transactions discussed above.

#### **Selling Away**

27. Pendleton issued at least one written promissory note and entered into at least three other oral promissory transactions, which are securities as defined under §61-1-13(1)(x)(I) of the Act. These transactions were not recorded on WGS's books and records.

#### **False Form U4**

28. On May 27, 2003, Pendleton requested and received approval for two outside business activities: one as a loan originator for Lone Peak Financial, and one as president/owner of B.S. Ent.
29. At the time of Pendleton's termination from WGS in August 2004, no outside business activities had been disclosed on Pendleton's Form U4. The Form U4, Uniform Application for Securities Industry Registration or Transfer, is a document filed with the Division and also provided to WGS.
30. A review of all of Pendleton's Form U4 amendment filings since Pendleton's outside business activities were approved showed that none of the above activities were disclosed on Pendleton's Form U4.

### **II. CONCLUSIONS OF LAW**

31. Pendleton willfully engaged in acts, practices, or courses of business which operated as a fraud or deceit in violation of § 61-1-1 of the Act by converting client funds, borrowing

money from clients, selling unregistered securities, selling away<sup>1</sup> and filing a false Form U-4 with the Division.

32. Pendleton willfully engaged in dishonest or unethical business practices in the securities business in violation of Utah Code Ann. § 61-1-6(2)(g) including:
  - a. borrowing money from customers, as proscribed by Utah Administrative Code (“UAC”) R164-6-1g(D)(1); and
  - b. selling away as proscribed by UAC R164-6-1g(D)(2) and NASD Conduct Rule 3040.
33. Pendleton willfully violated § 61-1-7 of the Act by entering into promissory transactions which were not registered, notice-filed or exempt from registration with the Division.
34. Pendleton willfully failed to disclose two outside business activities on his Form U4 in violation of § 61-1-5(4) of the Act and R164-4-3(E)(1) of the UAC.

### **III. ADMISSIONS BY RESPONDENT**

35. Pendleton admits to the Division’s findings and foregoing violations of the Act.

### **IV. REMEDIAL ACTION/SANCTIONS**

36. Pendleton is fined \$50,000. The fine will be deemed paid in its entirety upon receipt of proof, to the Division’s satisfaction, that full restitution has been paid to A. Z. and J. F..
37. Pendleton is barred from associating with any broker-dealer or investment adviser licensed in this state.

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<sup>1</sup>Selling away is the act of effecting securities transactions that are not recorded on the regular books or records of an agent’s broker-dealer (i.e. the transaction is executed outside or away from the broker-dealer). If a broker-dealer agent is engaged in selling away, the broker-dealer is unable to properly monitor and supervise these activities to ensure compliance with applicable securities laws.

## V. FINAL RESOLUTION

38. Pendleton acknowledges that this Order, upon approval by the Division Director and the Securities Advisory Board, shall be the final compromise and settlement of this matter.
39. Pendleton further acknowledges that if the Division Director or the Securities Advisory Board does not accept the terms of the Order, it shall be deemed null and void and without any force or effect whatsoever.
40. Pendleton acknowledges that the Order does not affect any civil or arbitration causes of action that third-parties may have against Pendleton arising in whole or in part from Pendleton's actions and that the Order does not affect any criminal cause of action that a prosecutor might bring.
41. This Order constitutes the entire agreement between the parties herein and supersedes and cancels any and all prior negotiations, representations, understandings, or agreements between the parties. There are no verbal agreements which modify, interpret, construe, or otherwise affect this Order in any way.

Utah Division of Securities

Date: 2/27/06

By: George Robison  
George Robison

Date: FEB 20, 2006

By: Bryan L. Pendleton  
Bryan L. Pendleton.

Approved:

Laurie L. Noda  
Laurie L. Noda  
Assistant Attorney General

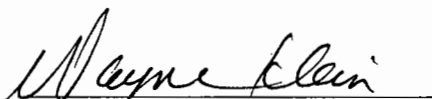
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## **ORDER**

Based on the foregoing, the Director hereby:

1. Finds that Pendleton has admitted the factual conduct and the violations described in this Order.
2. Enters, as its own findings, the Findings of Fact described in Section I, above.
3. Enters, as its own conclusions, the Conclusions of Law described in Section II, above.
4. Orders that:
  - a. Pendleton pay a fine of \$50,000. The fine will be deemed paid in its entirety upon receipt of proof, to the Division's satisfaction, that full restitution has been paid to A. Z. and J. F..
  - b. Pendleton is barred from associating with any broker-dealer or investment adviser licensed in this state.

DATED this 27<sup>th</sup> day of February, 2006.



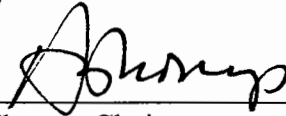
WAYNE KLEIN  
Director, Utah Division of Securities



**BY THE UTAH SECURITIES ADVISORY BOARD:**

The foregoing Order is hereby accepted, confirmed and approved by the Utah Securities Advisory Board.

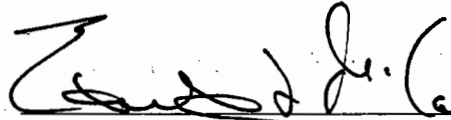
DATED this 28<sup>th</sup> day of February, 2006.



A. Robert Thorup, Chairman



John R. Jackson



Edward L. McCartney



Laura Polacheck

**Certificate of Mailing**

I certify that on the 3rd day of MARCH, 2006, I mailed by regular mail, a true and correct copy of the foregoing Stipulation and Consent Order to:

Bryan L. Pendleton  
2337 Fairway Drive  
Spanish Fork, UT 84660

Ramona Radzinski

Executive Secretary